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Senate
Forty-fourth Legislature
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2000

CHAPTER 1

Senate Engrossed
FILED

Betsey Bayless
Secretary of State

SENATE BILL 1001

AN ACT

AMENDING SECTIONS 41-1516, 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 AND 43-1174.02, ARIZONA REVISED STATUTES; RELATING TO ALTERNATIVE FUELS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1516, Arizona Revised Statutes, is amended to
3 read:

4 41-1516. Arizona clean air fund; purposes; vehicle
5 certification program; definition

6 A. The Arizona clean air fund is established consisting of the
7 following:

8 1. Monies appropriated by the legislature.

9 2. Monies from the air quality fund pursuant to section 49-551,
10 subsection C, paragraph 2.

11 3. Any monies that are appropriated to state agencies for alternative
12 fuel vehicles or conversion of conventional vehicles to operate on
13 alternative fuels and that have not been spent by the state agency at the end
14 of each fiscal year.

15 ~~4. Any monies that are allocated from the emissions inspection fund~~
16 ~~established by section 49-544 to the vehicle repair grant program established~~
17 ~~pursuant to section 49-542 and that have not been spent at the end of each~~
18 ~~fiscal year.~~

19 ~~5.~~ 4. Monies collected pursuant to section 49-543, subsection B,
20 except that beginning on January 1, 2001 until the contract entered into
21 pursuant to section 49-545 and in effect on the ~~effective date of this~~
22 ~~amendment to this section~~ APRIL 28, 2000 expires, the department shall
23 deposit, pursuant to sections 35-146 and 35-147, sixteen dollars eighty-one
24 cents of the fee collected pursuant to section 49-543, subsection B in area
25 A as defined in section 49-541 and two dollars fifty-one cents of the fee
26 collected pursuant to section 43-543, subsection B in area B as defined in
27 section 49-541 in the emissions inspection fund established by section 49-544
28 for the purpose of reducing the emissions inspection fees prescribed pursuant
29 to section 49-543, subsection A.

30 ~~6.~~ 5. Monies from the state lottery fund pursuant to section 5-522,
31 subsection A, paragraph 4.

32 ~~7.~~ 6. Monies deposited pursuant to sections 28-737, 28-876, 28-2416,
33 43-1086 and 43-1174.

34 ~~8.~~ 7. Any other monies received through gifts, grants and donations.

35 B. The director shall administer the fund.

36 C. EXCEPT AS PROVIDED IN SUBSECTION O OF THIS SECTION, monies in the
37 fund may be used for any of the following:

38 1. To promote public use of alternative fuels by providing individual
39 grants for alternative fuel delivery systems that have had their equipment
40 certified by the department of commerce energy office as follows:

41 (a) A grant of not more than one hundred thousand dollars for each
42 variation of alternative fuel type dispensed through a newly constructed
43 alternative fuel delivery system or an alternative fuel delivery system that
44 is added to an existing facility if the alternative fuel delivery system is
45 accessible to the general public.

1 (b) In addition to the grant prescribed in subdivision (a) of this
2 paragraph, a grant for one hundred per cent of the cost of installing or
3 retrofitting automatic debit or credit card access to an alternative fuel
4 delivery system that is accessible to the general public.

5 (c) A grant of not more than fifty thousand dollars or the cost of the
6 alternative fuel delivery system, whichever is less, for each variation of
7 alternative fuel type dispensed through a newly constructed alternative fuel
8 delivery system or an alternative fuel delivery system that is added to an
9 existing facility if the alternative fuel delivery system is not accessible
10 to the general public.

11 (d) A grant of not more than fifty thousand dollars for retrofitting
12 a private alternative fuel delivery system to make it accessible to the
13 general public.

14 (e) A grant of not more than fifty thousand dollars for retrofitting
15 an alternative fuel delivery system owned by this state or a political
16 subdivision of this state to make it accessible to other governmental
17 entities.

18 2. Not more than one-half of the monies deposited in the fund shall
19 be used by the department to establish a program that would provide grants
20 to individuals, small businesses or nonprofit corporations for the purchase
21 and installation of an alternative fuel delivery system for use on the
22 individual's, small business' or nonprofit corporation's property in this
23 state. Grants awarded pursuant to this paragraph shall not be more than the
24 cost of the alternative fuel delivery system. The cost of the alternative
25 fuel delivery system does not include the cost of wall sockets or extension
26 cords. The department of commerce shall promptly notify the department of
27 revenue of individuals and small businesses that have received a grant
28 pursuant to this paragraph and the amount of the grant. For the purposes of
29 this paragraph, "small business" has the same meaning prescribed in section
30 41-1001.

31 3. Grants to school districts to pay a portion of the cost incurred
32 for the alternative fuels program prescribed in section 15-349.

33 4. Grants to community college districts to pay a portion of the cost
34 incurred for the alternative fuels program prescribed in section 41-803.

35 5. Grants to cities and towns to pay a portion of the cost incurred
36 for the alternative fuels vehicle program and for the incremental cost of
37 alternative fuel buses pursuant to section 9-500.04.

38 6. Grants to counties to pay a portion of the cost incurred for the
39 alternative fuels program prescribed in section 49-474.01.

40 7. Grants to nonprofit corporations to pay a portion of the cost
41 incurred by nonprofit corporations in acquiring alternative fuel vehicles.

42 8. Grants to provide service to fleets that have been converted for
43 use of alternative fuel within the previous five years so that the vehicles
44 in the fleets may function on alternative fuel.

1 9. To pay the costs of high occupancy vehicle lane sign markings
2 required by section 28-2416 and the costs of providing the information
3 prescribed in section 28-5801, subsection A, paragraph 2.

4 10. Administrative costs incurred by the department in administering
5 the programs prescribed in this subsection.

6 11. To conduct public awareness programs for alternative fuels.

7 12. To provide for training for persons involved in alternative fuel
8 activities with automobiles.

9 13. To allocate resources to reduce the cost of converting or acquiring
10 alternative fuel vehicles and equipment as prescribed by sections 43-1086,
11 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and 43-1174.02.

12 14. To allocate resources to reduce the cost of an alternative fuel as
13 prescribed by sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01
14 and 43-1174.02.

15 D. Except as provided in ~~subsection~~ SUBSECTIONS E AND O of this
16 section, the department shall use fifty per cent of the monies deposited in
17 the fund in fiscal years 2000-2001 through 2009-2010 to provide grants to
18 persons for purchasing alternative fuel vehicles, converting conventionally
19 fueled vehicles to operate on an alternative fuel or retrofitting alternative
20 fuel vehicles, except that:

21 1. Beginning on July 1, 2002, if twelve months after deposit of the
22 monies applications for grants pursuant to this subsection have not been
23 submitted in a total amount equal to the prescribed percentage of the monies
24 deposited, the department shall use the difference between the prescribed
25 percentage of the monies deposited and the total amount of grant applications
26 to provide grants to a regional planning agency in a county with a population
27 of more than one million two hundred thousand persons for conversion of
28 diesel fleets in the county to use alternative fuels or for acquisition of
29 alternative fuel vehicles to replace diesel fleets in the county.

30 2. Any monies that are provided to a regional planning agency pursuant
31 to paragraph 1 of this subsection and that are not spent within six months
32 revert to the fund to be used for grants as provided in this subsection.

33 E. The time periods prescribed in subsection D of this section are
34 rolling time periods and begin whenever monies are deposited in the fund.
35 Neighborhood electric vehicles as defined in section 43-1086 are not eligible
36 for grants pursuant to subsection D of this section. A grant provided
37 pursuant to subsection D of this section for the purchase of an alternative
38 fuel vehicle or the conversion of a conventionally fueled vehicle to operate
39 on alternative fuel shall be in an amount that is equal to the amount of the
40 tax credit prescribed in section 43-1086, subsection B or 43-1174, subsection
41 B. The department of commerce shall promptly notify the department of
42 revenue of persons who have received a grant pursuant to subsection D of this
43 section and the amount of the grant. If monies are not available for grants
44 to persons pursuant to subsection D of this section, the department of
45 commerce shall provide the eligible person with an affidavit stating that

1 monies are not available in the fund for grants, that the person would
 2 qualify for a grant if monies were available in the fund and that the person
 3 is eligible for a tax credit pursuant to section 43-1086 or 43-1174. The
 4 department of commerce shall not provide grants pursuant to subsection D of
 5 this section in a calendar year after the month in which the motor vehicle
 6 division reports to the department as provided in section 43-1086 that the
 7 number of new alternative fuel vehicles, excluding neighborhood electric
 8 vehicles, vehicles registered pursuant to section 28-2511 and commercial
 9 vehicles, newly registered in this state in the current calendar year exceeds
 10 one per cent of the total number of motor vehicles registered in this state
 11 in the previous calendar year. If grants are not provided in a calendar year
 12 based on a motor vehicle division report pursuant to section 43-1086, the
 13 restriction only applies to the remainder of that calendar year. If a person
 14 who applies for a grant pursuant to subsection D of this section submits a
 15 purchase order and proof of at least a ten per cent down payment on an
 16 alternative fuel vehicle, conversion or retrofit or a bill of sale for an
 17 alternative fuel vehicle, conversion or retrofit at the time of application,
 18 the department shall secure monies for a grant for that person until the
 19 person completes the transaction and the department shall not use those
 20 monies to provide grants to a regional planning agency pursuant to subsection
 21 D, paragraph 1 of this section if the transaction is completed within one
 22 year. In order to qualify for a grant pursuant to subsection D of this
 23 section or a tax credit pursuant to section 43-1086 or 43-1174, a person
 24 shall apply for a grant pursuant to subsection D of this section no later
 25 than one year after the person purchases, converts or retrofits an
 26 alternative fuel vehicle.

27 F. The department shall use monies in the fund for a grant to pay for
 28 the cost of an alternative fuel delivery system at northern Arizona
 29 university that is accessible to the general public. The amount of this
 30 grant shall not be more than three hundred thousand dollars. Alternative fuel
 31 sold from that alternative fuel delivery system shall not be marked up more
 32 than fifteen per cent.

33 G. The department shall use monies in the fund for grants to pay costs
 34 incurred for successful certification tests that are necessary to meet the
 35 requirements of memorandum 1-A issued by the United States environmental
 36 protection agency, that are performed in this state and the results of which
 37 are filed with the department of commerce energy office, except that fees
 38 required by the United States environmental protection agency are not
 39 eligible for grants pursuant to this subsection. Costs that are eligible for
 40 grants pursuant to this subsection include the following:

- 41 1. Procurement and operating costs for a single platform, including
- 42 expenses for testing a vehicle up to its degradation mileage limit.
- 43 2. The cost of conversion equipment and installation for the single
- 44 engine platform.

1 3. Expenses directly related to the process of obtaining certification,
2 including:

3 (a) Personnel time.

4 (b) Additional materials.

5 (c) Specialized equipment rentals or leases.

6 (d) Operating costs and payments on purchased specialized emissions
7 equipment during the time it is required for the certification process.

8 (e) The cost of installation for specialized emissions testing
9 equipment.

10 (f) Ongoing maintenance, upgrading and repair costs for specialized
11 emissions testing equipment during the time it is used for certification
12 testing.

13 (g) The costs involved in obtaining technical information or access
14 charges for information used for the certification process.

15 (h) Independent emissions laboratory fees required for validating
16 certification criteria.

17 (i) Facility expenses that are prorated to the equivalent area of the
18 required size of one bay large enough to house the platform and the necessary
19 related equipment to perform the certification research and development and
20 validation testing.

21 H. The department shall use monies in the fund to pay for one-half of
22 the hydrogen program grants awarded pursuant to section 41-1515 in fiscal
23 year 2000-2001 and fiscal year 2001-2002. Notwithstanding section 41-1515,
24 an applicant for a grant of monies provided pursuant to this subsection shall
25 provide funding in an amount that at least equals the grant award and if
26 monies provided pursuant to this subsection are not used within five years
27 the monies revert to the Arizona clean air fund.

28 I. No later than January 1, 2007, the department shall use monies in
29 the fund to provide grants for at least sixteen natural gas delivery systems.
30 These grants shall be provided to private entities to install and operate
31 natural gas delivery systems that are accessible to the general public at the
32 private entities' existing motor vehicle fueling stations. These grants
33 shall be provided for at least eight natural gas delivery systems in area A
34 as defined in section 49-541, at least three natural gas delivery systems in
35 area B as defined in section 49-541, one natural gas delivery system in
36 Kingman, one natural gas delivery system in Yuma, one natural gas delivery
37 system in Casa Grande, one natural gas delivery system in Show Low and one
38 natural gas delivery system in Payson. A recipient of a grant pursuant to
39 this subsection shall not charge for natural gas provided from a delivery
40 system installed and operated under the grant more than the following amounts
41 over the recipient's cost of the natural gas:

42 1. Fifteen cents per gallon to cover the cost of compression, including
43 electricity, maintenance and wear and tear.

44 2. An additional fifteen cents per gallon as profit.

1 J. If a grant is awarded pursuant to this section for an alternative
2 fuel delivery system located at a fueling station, the price of the
3 alternative fuel sold from the alternative fuel delivery system shall be
4 included on the standardized sign that contains the price of other fuels sold
5 at the fueling station. The department of commerce energy office shall
6 design these signs, including the alternative fuel logo for these signs.
7 Notwithstanding any other law and because the legislature finds it a matter
8 of statewide concern, these signs shall be uniform throughout the state and
9 local ordinances, rules or laws are preempted for design, placement, size,
10 type and height.

11 K. The department may provide certification of alternative fuel
12 vehicles and equipment converted or purchased in previous tax years if the
13 taxpayer provides appropriate documentation to the department and if the
14 department deems the documentation and certification acceptable.

15 L. EXCEPT AS PROVIDED IN SECTIONS 43-1086 AND 43-1174, tax credits for
16 alternative fuel vehicles authorized pursuant to state law shall only be
17 allowed if the vehicle meets one of the following:

18 1. The vehicle engine is certified to meet at a minimum the United
19 States environmental protection agency low emission vehicle standard pursuant
20 to 40 Code of Federal Regulations section 88.104-94 or 88.105-94.

21 2. The vehicle engine meets the requirements of the addendum to
22 memorandum 1-A, issued by the United States environmental protection agency,
23 as printed in the federal register, volume 62, number 207, October 27, 1997,
24 pages 55635 through 55637.

25 3. The vehicle engine is the subject of a waiver for that specific
26 engine application from the United States environmental protection agency's
27 memorandum 1-A requirements and that waiver is documented to the reasonable
28 satisfaction of the department.

29 M. The director shall report annually to the legislature on the status
30 of the Arizona clean air fund including a report on expenditures from the
31 fund pursuant to this section. The report shall include a summary of
32 alternative fuel delivery systems for which funding was provided during the
33 preceding fiscal year. The report shall be submitted to the president of the
34 senate and the speaker of the house of representatives no later than
35 September 1 of each year.

36 N. Monies in the Arizona clean air fund are exempt from the provisions
37 of section 35-190 relating to lapsing of appropriations. On notice from the
38 department of commerce, the state treasurer shall invest and divest monies
39 in the fund as provided by section 35-313, and monies earned from investment
40 shall be credited to the fund.

41 O. THE DEPARTMENT SHALL NOT PROVIDE GRANTS OR AFFIDAVITS TO ANY PERSON
42 WHO ENTERS INTO A CONTRACT OR SIGNS A PURCHASE ORDER FOR ANY OF THE FOLLOWING
43 BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001:

44 1. THE PURCHASE OF AN ALTERNATIVE FUEL VEHICLE AS DEFINED IN SECTION
45 43-1086.

1 2. THE CONVERSION OF A CONVENTIONALLY FUELED VEHICLE TO OPERATE ON AN
2 ALTERNATIVE FUEL.

3 3. THE RETROFITTING OF AN ALTERNATIVE FUEL VEHICLE.

4 4. THE PURCHASE AND INSTALLATION OF AN ALTERNATIVE FUEL DELIVERY
5 SYSTEM FOR USE ON AN INDIVIDUAL'S, SMALL BUSINESS' OR NONPROFIT CORPORATION'S
6 PROPERTY IN THIS STATE PURSUANT TO SUBSECTION C, PARAGRAPH 2 OF THIS SECTION.

7 5. ALTERNATIVE FUEL DELIVERY SYSTEM CONSTRUCTION OR MODIFICATION
8 PURSUANT TO SUBSECTION C, PARAGRAPH 1 OF THIS SECTION.

9 P. NO LATER THAN NOVEMBER 13, 2000, EACH PERSON WHO SELLS ALTERNATIVE
10 FUEL VEHICLES IN THIS STATE, WHO CONVERTS CONVENTIONALLY FUELED VEHICLES TO
11 OPERATE ON AN ALTERNATIVE FUEL IN THIS STATE, WHO SELLS OR INSTALLS
12 ALTERNATIVE FUEL DELIVERY SYSTEMS FOR USE ON AN INDIVIDUAL'S, SMALL BUSINESS'
13 OR NONPROFIT CORPORATION'S PROPERTY IN THIS STATE OR WHO CONSTRUCTS OR
14 MODIFIES ALTERNATIVE FUEL DELIVERY SYSTEMS IN THIS STATE SHALL PROVIDE
15 INFORMATION TO THE DEPARTMENT OF COMMERCE, IN A FORM DETERMINED BY THE
16 DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF REVENUE, THAT
17 IS NECESSARY TO ADMINISTER THIS PROGRAM AND TO DETERMINE THE FULL EXTENT TO
18 WHICH INDIVIDUALS AND BUSINESSES ARE POTENTIALLY ELIGIBLE FOR GRANTS PURSUANT
19 TO THIS SECTION. THE INFORMATION SHALL INCLUDE ALL PERSONS WHO ENTERED INTO
20 CONTRACTS OR SIGNED PURCHASE ORDERS ON OR AFTER JANUARY 1, 2000 THROUGH
21 OCTOBER 19, 2000 BUT SHALL NOT INCLUDE ANY CANCELLATIONS THAT OCCUR BEFORE
22 NOVEMBER 13, 2000. THE DEPARTMENT OF COMMERCE SHALL SEND A NOTICE TO EACH
23 PERSON KNOWN TO THE DEPARTMENT TO BE REQUIRED TO PROVIDE INFORMATION PURSUANT
24 TO THIS SUBSECTION. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE
25 SHALL KEEP CONFIDENTIAL ANY SOCIAL SECURITY NUMBERS, OTHER ASSIGNED TAXPAYER
26 IDENTIFICATION NUMBERS OR TELEPHONE NUMBERS PROVIDED IN THE INFORMATION
27 REQUIRED PURSUANT TO THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE
28 DEPARTMENT OF COMMERCE IS EXEMPT FROM THE RULE MAKING REQUIREMENTS OF CHAPTER
29 6 OF THIS TITLE.

30 ~~Q.~~ Q. For the purposes of this section, "alternative fuel delivery
31 system" means any facility that provides for the fueling of an alternative
32 fuel vehicle.

33 Sec. 2. Section 43-1086, Arizona Revised Statutes, is amended to read:

34 43-1086. Credit for alternative fuel vehicles; definitions

35 A. EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION, for taxable
36 years prescribed in subsection J of this section, a credit against taxes
37 imposed by this title is allowed to each taxpayer who applies for a grant
38 pursuant to section 41-1516 unless the vehicle is a neighborhood electric
39 vehicle and who does any of the following:

40 1. Purchases or leases, for a period of at least one year, one or more
41 new original equipment manufactured alternative fuel vehicles for use in this
42 state.

43 2. Incurs expenses during the taxable year for converting one or more
44 conventionally fueled vehicles for use in this state to operate on an
45 alternative fuel.

1 3. On or before June 30, 2000, purchases or leases, for a period of
2 at least one year, one or more used alternative fuel vehicles for use in this
3 state, except that a tax credit is not allowed pursuant to this section for
4 the purchase or lease of a used neighborhood electric vehicle that is
5 purchased or leased on or after January 1, 2000.

6 B. The amount of the credit is equal to the following:

7 1. For a new low emission vehicle twelve thousand pounds or less gross
8 vehicle weight, thirty per cent of the cost or five thousand dollars,
9 whichever is more.

10 2. For a used low emission vehicle twelve thousand pounds or less
11 gross vehicle weight, fifteen per cent of the cost or two thousand five
12 hundred dollars, whichever is more.

13 3. For a new ultralow or inherently low emission vehicle, forty per
14 cent of the cost or seven thousand five hundred dollars, whichever is more.

15 4. For a used ultralow or inherently low emission vehicle, twenty per
16 cent of the cost or three thousand seven hundred fifty dollars, whichever is
17 more.

18 5. For a new zero or super ultralow emission vehicle, fifty per cent
19 of the cost or ten thousand dollars, whichever is more.

20 6. For a used zero emission vehicle:

21 (a) That is purchased, twenty-five per cent of the cost or five
22 thousand dollars, whichever is more.

23 (b) That is leased, twenty-five per cent of the cost or two thousand
24 five hundred dollars, whichever is more.

25 7. For a new low emission vehicle over twelve thousand pounds gross
26 vehicle weight, thirty per cent of the cost or thirty thousand dollars,
27 whichever is more.

28 8. For a used low emission vehicle over twelve thousand pounds gross
29 vehicle weight, fifteen per cent of the cost or fifteen thousand dollars,
30 whichever is more.

31 9. For conversion of a vehicle over twelve thousand pounds gross
32 vehicle weight, the greatest of the following:

33 (a) Thirty per cent of the actual price of the vehicle plus the cost
34 of conversion.

35 (b) Thirty per cent of the original manufacturer's base retail price
36 of the vehicle.

37 (c) Thirty thousand dollars.

38 10. For purchase of a converted vehicle over twelve thousand pounds
39 gross vehicle weight, fifteen per cent of the cost or fifteen thousand
40 dollars, whichever is more.

41 11. For conversion of any other vehicle the greatest of the following:

42 (a) Thirty per cent of the actual purchase price of the vehicle plus
43 the cost of conversion.

44 (b) Thirty per cent of the original manufacturer's base retail price
45 of the vehicle.

1 (c) Five thousand dollars.

2 (d) The amount of the tax credit prescribed in paragraph 3 or 4 of
3 this subsection if the taxpayer can demonstrate that the converted vehicle
4 qualifies as an ultralow or inherently low emission vehicle.

5 (e) The amount of the tax credit prescribed in paragraph 5 or
6 paragraph 6, subdivision (a) of this subsection if the taxpayer can
7 demonstrate that the converted vehicle qualifies as a zero or super ultralow
8 emission vehicle.

9 12. For purchase of any other converted vehicle, fifteen per cent of
10 the cost or two thousand five hundred dollars, whichever is more.

11 13. Notwithstanding any other paragraph of this subsection, for a new
12 neighborhood electric vehicle that is purchased on or after July 1, 2000,
13 fifty per cent of the cost of the vehicle or one thousand dollars, whichever
14 is more. In order to qualify for a tax credit pursuant to this paragraph,
15 a taxpayer shall certify on forms provided by the department that the vehicle
16 has not been, and will not be, used on a golf course, except for use as a
17 maintenance vehicle for a golf course. If a tax credit is taken for a
18 vehicle pursuant to this paragraph and the vehicle is used on a golf course
19 other than as a maintenance vehicle, the tax credit is subject to recapture
20 by the department, and the taxpayer is subject to a civil penalty of one
21 thousand dollars. Civil penalties collected pursuant to this paragraph shall
22 be deposited in the Arizona clean air fund established by section 41-1516.

23 C. EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION, a tax credit
24 is allowed pursuant to subsection B, paragraphs 1 through 8 and 13 of this
25 section only if the vehicle is certified to meet the United States
26 environmental protection agency emission standards for the particular type
27 of vehicle for which the credit is claimed as prescribed by 40 Code of
28 Federal Regulations section 88.104-94 or 88.105-94.

29 D. In order to qualify for a tax credit pursuant to subsection B,
30 paragraph 9 or 10 of this section, a motor home as defined in section 28-4301
31 that is converted to use liquefied petroleum gas shall have a fuel tank for
32 onboard storage of liquefied petroleum gas that holds at least thirty
33 gallons.

34 E. If the allowable tax credit exceeds the taxes due under this title
35 on the claimant's income, or if there are no taxes due under this title, the
36 following apply:

37 1. If the vehicle is not a neighborhood electric vehicle, the taxpayer
38 may elect either of the following:

39 (a) To be paid the amount of the claim not used to offset taxes under
40 this title in the same manner as a refund granted under section 42-1118.
41 Refunds made pursuant to this subdivision are subject to setoff pursuant to
42 section 42-1122.

43 (b) To use the amount as a credit to offset taxes under this title
44 over ten consecutive taxable years in compliance with any statute of
45 limitations provided in this title or title 42.

1 2. If the vehicle is a neighborhood electric vehicle, the amount of
2 the credit not used to offset taxes under this title may be carried forward
3 to the next five consecutive taxable years as a credit against subsequent
4 years' income tax liability.

5 F. EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION, if a person
6 purchases an alternative fuel vehicle and then leases the vehicle to another
7 person, the lessor is not entitled to take a tax credit pursuant to this
8 section for the purchase of the vehicle but may claim a share of the tax
9 credit for the lease of the vehicle as provided in the lease agreement,
10 except that the total amount claimed by the lessor and lessee shall not be
11 more than the credit allowed pursuant to this section and a person who
12 purchases an alternative fuel vehicle and then leases the vehicle to a
13 governmental entity is entitled to take a tax credit pursuant to this section
14 for the purchase of the vehicle.

15 G. EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION, notwithstanding
16 subsection B of this section and if the vehicle is not a neighborhood
17 electric vehicle:

18 1. If a person receives a grant pursuant to section 41-1516 for the
19 purchase of an alternative fuel vehicle or the conversion of a conventionally
20 fueled vehicle to operate on alternative fuel on or before June 30, 2003, the
21 tax credit pursuant to this section shall only be for the incremental cost
22 of the purchase or conversion.

23 2. If the person applies for a grant pursuant to section 41-1516 on
24 or before June 30, 2003 and submits to the department of revenue an affidavit
25 issued by the department of commerce stating that monies are not available
26 in the Arizona clean air fund for grants, that the person would qualify for
27 a grant if monies were available in the fund and that the person is eligible
28 for a tax credit pursuant to THIS section ~~43-1086~~ or SECTION 43-1174, the
29 person is eligible for a tax credit in the amount prescribed in this section
30 plus the incremental cost of the purchase or conversion.

31 3. If a person receives a grant pursuant to section 41-1516 for the
32 purchase of an alternative fuel vehicle or for the conversion of a
33 conventionally fueled vehicle to operate on alternative fuel on or after July
34 1, 2003 through December 31, 2009, the person is not eligible for a tax
35 credit pursuant to this section.

36 H. A husband and wife who file separate returns for a taxable year in
37 which they could have filed a joint return may each claim only one-half of
38 the tax credit that would have been allowed for a joint return.

39 I. Co-owners of a business, including partners in a partnership and
40 shareholders of an S corporation as defined in section 1361 of the internal
41 revenue code, may each claim only the pro rata share of the credit allowed
42 under this section based on the ownership interest. The total of the credits
43 allowed all such owners may not exceed the amount that would have been
44 allowed for a sole owner of the business.

1 J. EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION, tax credits are
 2 allowed pursuant to this section through the taxable year ending on or before
 3 December 31, 2009, except that tax credits are not allowed for purchases or
 4 conversions that occur in a calendar year after the month in which the motor
 5 vehicle division reports to the department that the number of new alternative
 6 fuel vehicles, excluding neighborhood electric vehicles, vehicles registered
 7 pursuant to section 28-2511 and commercial vehicles, newly registered in this
 8 state in the current calendar year exceeds one per cent of the total number
 9 of motor vehicles registered in this state in the previous calendar year. If
 10 tax credits are not allowed in a calendar year based on a motor vehicle
 11 division report pursuant to this subsection, the restriction only applies to
 12 the remainder of that calendar year. On or before the fifteenth day of each
 13 calendar month the motor vehicle division shall submit a report to the
 14 department of revenue and the department of commerce energy office that
 15 contains the number of new alternative fuel vehicles, excluding neighborhood
 16 electric vehicles, vehicles registered pursuant to section 28-2511 and
 17 commercial vehicles, newly registered in this state in the current calendar
 18 year at the end of the previous month and whether that number exceeds one per
 19 cent of the total number of motor vehicles registered in this state in the
 20 previous calendar year. The motor vehicle division shall provide a copy of
 21 this report to each motor vehicle dealer association in this state. The
 22 motor vehicle division shall base the numbers of new alternative fuel
 23 vehicles in these reports on manufacturers' certificates of origin.

24 K. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR ANY OF THE
 25 FOLLOWING:

26 1. THE PURCHASE OR LEASE OF AN ALTERNATIVE FUEL VEHICLE THAT IS MADE
 27 PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO DURING THE PERIOD
 28 BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

29 2. THE PURCHASE OR LEASE OF AN ALTERNATIVE FUEL VEHICLE THAT IS MADE
 30 DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001 IF
 31 THE PURCHASE OR LEASE IS NOT MADE PURSUANT TO A CONTRACT OR PURCHASE ORDER
 32 ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

33 3. ANY EXPENSE INCURRED FOR CONVERSION OF A CONVENTIONALLY FUELED
 34 VEHICLE TO OPERATE ON ALTERNATIVE FUEL THAT IS MADE PURSUANT TO A CONTRACT
 35 OR PURCHASE ORDER ENTERED INTO DURING THE PERIOD BEGINNING ON OCTOBER 20,
 36 2000 THROUGH OCTOBER 19, 2001.

37 4. ANY EXPENSE INCURRED FOR CONVERSION OF A CONVENTIONALLY FUELED
 38 VEHICLE TO OPERATE ON ALTERNATIVE FUEL DURING THE PERIOD BEGINNING ON OCTOBER
 39 20, 2000 THROUGH OCTOBER 19, 2001 IF THE EXPENSE IS NOT INCURRED PURSUANT TO
 40 A CONTRACT OR PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20,
 41 2000.

42 ~~K.~~ L. For purposes of this section:

43 1. "Alternative fuel" has the same meaning prescribed in section
 44 1-215.

1 2. "Alternative fuel vehicle":

2 (a) Means a self-propelled vehicle that is registered and titled in
3 this state for operation on the highways and that is primarily propelled by
4 an alternative fuel.

5 (b) Includes neighborhood electric vehicles, bi-fuel vehicles and
6 dedicated vehicles.

7 (c) Does not include such vehicles as a golf cart as defined in
8 section 28-101 unless the golf cart qualifies as a neighborhood electric
9 vehicle, a motorcycle, a motor driven cycle, a moped or an implement of
10 husbandry as defined in section 28-101, a motorized wheelchair as defined in
11 section 28-601, an electric bicycle or a vehicle, such as a forklift, that
12 is not designed primarily for operation on highways.

13 (d) If the vehicle is powered by electricity, may include an onboard
14 auxiliary motor that is designed and used to recharge batteries.

15 3. "Bi-fuel vehicle" means a vehicle that is capable of operating on
16 both gasoline or an alternative fuel but does not include a vehicle that is
17 capable of operating on a mixture of two or more fuel types.

18 4. "Dedicated vehicle" means a vehicle that is capable of operating
19 only on a single alternative fuel.

20 5. "Incremental cost" means the amount by which the cost of an
21 alternative fuel vehicle exceeds the cost of the same model of conventionally
22 fueled vehicle that is similarly equipped and for a zero emission vehicle is
23 assumed to be ten thousand dollars or twenty-five per cent of the cost,
24 whichever is more.

25 6. "Neighborhood electric vehicle" means a motor vehicle that has
26 alternative fuel vehicle special plates or an alternative fuel vehicle
27 sticker issued pursuant to section 28-2416 and that meets the standards
28 prescribed in 49 Code of Federal Regulations section 571.500, except that,
29 if a vehicle is designed to be operated at speeds of twenty miles per hour
30 or less, the vehicle is not required to have a seventeen digit vehicle
31 identification number.

32 Sec. 3. Section 43-1086.01, Arizona Revised Statutes, is amended to
33 read:

34 43-1086.01. Credit for vehicle refueling apparatus and
35 infrastructure; definition

36 A. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, for taxable
37 years beginning after December 31, 1998, a credit against taxes imposed
38 pursuant to this title is allowed to each taxpayer who purchases a vehicle
39 refueling apparatus, including storage tanks, for installation on one or more
40 properties located in this state for the taxpayer's use. The amount of the
41 tax credit for each vehicle refueling apparatus is the cost of the vehicle
42 refueling apparatus.

43 B. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, for taxable
44 years beginning after December 31, 1998, a credit against taxes imposed
45 pursuant to this title is allowed to each taxpayer who installs any

1 infrastructure necessary for operation of a vehicle refueling apparatus
2 purchased for installation on the taxpayer's property located in this state
3 as provided in subsection A of this section, including gas or electric
4 infrastructure from the closest main or transformer but not more than one
5 hundred feet. The amount of the tax credit for installation of
6 infrastructure is the cost of the installation of the infrastructure.

7 C. If the allowable tax credit exceeds the taxes due under this title
8 on the claimant's income, or if there are no taxes due under this title, the
9 taxpayer may elect either of the following:

10 1. To be paid the amount of the claim not used to offset taxes under
11 this title in the same manner as a refund granted under section 42-1118.
12 Refunds made pursuant to this paragraph are subject to setoff pursuant to
13 section 42-1122.

14 2. To use the amount as a credit to offset taxes under this title over
15 ten consecutive taxable years in compliance with any statute of limitations
16 provided in this title or title 42.

17 D. A husband and wife who file separate returns for a taxable year in
18 which they could have filed a joint return may each claim only one-half of
19 the tax credit that would have been allowed for a joint return.

20 E. Co-owners of a business, including partners in a partnership and
21 shareholders of an S corporation, as defined in section 1361 of the internal
22 revenue code, may each claim only the pro rata share of the credit allowed
23 under this section based on the ownership interest. The total of the credits
24 allowed all such owners may not exceed the amount that would have been
25 allowed for a sole owner of the business.

26 F. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR ANY OF THE
27 FOLLOWING:

28 1. THE PURCHASE OF A VEHICLE REFUELING APPARATUS, INCLUDING STORAGE
29 TANKS, THAT IS MADE PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO
30 DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

31 2. THE PURCHASE OF A VEHICLE REFUELING APPARATUS, INCLUDING STORAGE
32 TANKS, THAT IS MADE DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH
33 OCTOBER 19, 2001 IF THE PURCHASE IS NOT MADE PURSUANT TO A CONTRACT OR
34 PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

35 3. ANY INSTALLATION OF INFRASTRUCTURE NECESSARY FOR THE OPERATION OF
36 A VEHICLE REFUELING APPARATUS THAT IS MADE PURSUANT TO A CONTRACT OR PURCHASE
37 ORDER ENTERED INTO DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH
38 OCTOBER 19, 2001.

39 4. ANY INSTALLATION OF INFRASTRUCTURE NECESSARY FOR THE OPERATION OF
40 A VEHICLE REFUELING APPARATUS THAT IS MADE DURING THE PERIOD BEGINNING ON
41 OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001 IF THE INSTALLATION IS NOT MADE
42 PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE
43 OCTOBER 20, 2000.

44 G. NO LATER THAN NOVEMBER 13, 2000, EACH PERSON WHO SELLS OR INSTALLS
45 VEHICLE REFUELING APPARATUSES, INCLUDING STORAGE TANKS, SHALL PROVIDE

1 INFORMATION TO THE DEPARTMENT OF COMMERCE, IN A FORM DETERMINED BY THE
2 DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF REVENUE, THAT
3 IS NECESSARY TO ADMINISTER THIS PROGRAM AND TO DETERMINE THE FULL EXTENT TO
4 WHICH TAXPAYERS ARE POTENTIALLY ELIGIBLE FOR TAX CREDITS PURSUANT TO THIS
5 SECTION. THE INFORMATION SHALL INCLUDE ALL PURCHASES AND INSTALLATIONS
6 DESCRIBED IN SUBSECTION F OF THIS SECTION ON OR AFTER JANUARY 1, 2000 THROUGH
7 OCTOBER 19, 2000 BUT SHALL NOT INCLUDE ANY CANCELLATIONS THAT OCCUR BEFORE
8 NOVEMBER 13, 2000. THE DEPARTMENT OF COMMERCE SHALL SEND A NOTICE TO EACH
9 PERSON KNOWN TO THE DEPARTMENT TO BE REQUIRED TO PROVIDE INFORMATION PURSUANT
10 TO THIS SUBSECTION. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE
11 SHALL KEEP CONFIDENTIAL ANY SOCIAL SECURITY NUMBERS, OTHER ASSIGNED TAXPAYER
12 IDENTIFICATION NUMBERS OR TELEPHONE NUMBERS PROVIDED IN THE INFORMATION
13 REQUIRED PURSUANT TO THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE
14 DEPARTMENT OF COMMERCE IS EXEMPT FROM THE RULE MAKING REQUIREMENTS OF TITLE
15 41, CHAPTER 6.

16 ~~F.~~ H. For the purposes of this section, "vehicle refueling apparatus"
17 means any of the following:

18 1. A maximum ten to fifteen standard cubic feet per minute natural gas
19 compression appliance used for slow fill, on-site refueling.

20 2. Equipment necessary to provide an electric charge for an electric
21 vehicle, excluding wall sockets and extension cords.

22 3. Tanks used to store liquefied petroleum gas.

23 Sec. 4. Section 43-1086.02, Arizona Revised Statutes, is amended to
24 read:

25 43-1086.02. Credit for alternative fuel delivery systems;
26 definitions

27 A. EXCEPT AS PROVIDED IN SUBSECTION I OF THIS SECTION, for taxable
28 years beginning after December 31, 1997, a credit against taxes imposed by
29 this title is allowed to each taxpayer who incurs construction costs or
30 operating costs during the taxable year for constructing or operating an
31 alternative fuel delivery system in this state that is capable of dispensing
32 an alternative fuel to an alternative fuel vehicle.

33 B. The amount of the credit is equal to the following:

34 1. For an alternative fuel delivery system that is accessible to the
35 general public or for an alternative fuel delivery system that is dispensing
36 a renewable fuel, one hundred per cent of the costs incurred up to a maximum
37 of four hundred thousand dollars. A taxpayer may take a credit pursuant to
38 this paragraph for each variation of alternative fuel type dispensed through
39 the alternative fuel delivery system.

40 2. For an alternative fuel delivery system that does not satisfy
41 paragraph 1 of this subsection, fifty per cent of the costs incurred up to
42 a maximum of two hundred thousand dollars. A taxpayer may take a credit
43 pursuant to this paragraph for each variation of alternative fuel type
44 dispensed through the alternative fuel delivery system.

1 C. If the allowable tax credit exceeds the taxes due under this title
2 on the claimant's income, or if there are no taxes due under this title, the
3 taxpayer may elect either of the following:

4 1. To be paid the amount of the claim not used to offset taxes under
5 this title in the same manner as a refund granted under section 42-1118.
6 Refunds made pursuant to this paragraph are subject to setoff pursuant to
7 section 42-1122.

8 2. To use the amount as a credit to offset taxes under this title over
9 ten consecutive taxable years in compliance with any statute of limitations
10 provided in this title or title 42.

11 D. If a tax credit is allowed pursuant to this section for an
12 alternative fuel delivery system located at a fueling station, the price of
13 the alternative fuel sold from the alternative fuel delivery system shall be
14 included on the standardized sign that contains the price of other fuels sold
15 at the fueling station. The department of commerce energy office shall
16 design these signs, including the alternative fuel logo for these signs.
17 Notwithstanding any other law and because the legislature finds it a matter
18 of statewide concern, these signs shall be uniform throughout the state and
19 local ordinances, rules or laws are preempted for design, placement, size,
20 type and height.

21 E. A husband and wife who file separate returns for a taxable year in
22 which they could have filed a joint return may each claim only one-half of
23 the tax credit that would have been allowed for a joint return.

24 F. If the taxpayer enters into a lease agreement for the alternative
25 fuel delivery system, the lessor may claim a share of the tax credit allowed
26 under this section as provided in the lease agreement, except that the total
27 amount claimed by the lessor and lessee shall not be more than the tax credit
28 allowed under this section.

29 G. Co-owners of a business, including partners in a partnership and
30 shareholders of an S corporation as defined in section 1361 of the internal
31 revenue code, may each claim only the pro rata share of the credit allowed
32 under this section based on the ownership interest. The total of the credits
33 allowed all such owners may not exceed the amount that would have been
34 allowed for a sole owner of the business.

35 H. A person who receives a grant pursuant to section 41-1516 is not
36 eligible to claim a credit pursuant to this section for the amount of the
37 grant. EXCEPT AS PROVIDED IN SUBSECTION I OF THIS SECTION, if the cost of
38 the alternative fuel delivery system exceeds the amount of the grant, a
39 person may claim a credit for the amount in excess of the amount of the grant
40 not to exceed the limits imposed by this section.

41 I. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR EITHER:

42 1. CONSTRUCTION COSTS OR OPERATING COSTS OF AN ALTERNATIVE FUEL
43 DELIVERY SYSTEM THAT ARE MADE PURSUANT TO A CONTRACT ENTERED INTO DURING THE
44 PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

1 2. CONSTRUCTION COSTS OR OPERATING COSTS OF AN ALTERNATIVE FUEL
2 DELIVERY SYSTEM THAT ARE INCURRED DURING THE PERIOD BEGINNING ON OCTOBER 20,
3 2000 THROUGH OCTOBER 19, 2001 IF THE COSTS ARE NOT INCURRED PURSUANT TO A
4 CONTRACT ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

5 J. NO LATER THAN NOVEMBER 13, 2000, EACH PERSON WHO PROVIDES
6 CONSTRUCTION OR OPERATING SERVICES TO ALTERNATIVE FUEL DELIVERY SYSTEMS SHALL
7 PROVIDE INFORMATION TO THE DEPARTMENT OF COMMERCE, IN A FORM DETERMINED BY
8 THE DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF REVENUE,
9 THAT IS NECESSARY TO ADMINISTER THIS PROGRAM AND TO DETERMINE THE FULL EXTENT
10 TO WHICH TAXPAYERS ARE POTENTIALLY ELIGIBLE FOR TAX CREDITS PURSUANT TO THIS
11 SECTION. THE INFORMATION SHALL INCLUDE ALL COSTS DESCRIBED IN SUBSECTION I
12 OF THIS SECTION ON OR AFTER JANUARY 1, 2000 THROUGH OCTOBER 19, 2000 BUT
13 SHALL NOT INCLUDE ANY CANCELLATIONS THAT OCCUR BEFORE NOVEMBER 13, 2000. THE
14 DEPARTMENT OF COMMERCE SHALL SEND A NOTICE TO EACH PERSON KNOWN TO THE
15 DEPARTMENT TO BE REQUIRED TO PROVIDE INFORMATION PURSUANT TO THIS SUBSECTION.
16 THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE SHALL KEEP
17 CONFIDENTIAL ANY SOCIAL SECURITY NUMBERS, OTHER ASSIGNED TAXPAYER
18 IDENTIFICATION NUMBERS OR TELEPHONE NUMBERS PROVIDED IN THE INFORMATION
19 REQUIRED PURSUANT TO THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE
20 DEPARTMENT OF COMMERCE IS EXEMPT FROM THE RULE MAKING REQUIREMENTS OF TITLE
21 41, CHAPTER 6.

22 ~~I.~~ K. For the purposes of this section:

23 1. "Alternative fuel" has the same meaning prescribed in section
24 1-215.

25 2. "Alternative fuel delivery system" has the same meaning prescribed
26 in section 41-1516.

27 3. "Alternative fuel vehicle" has the same meaning prescribed in
28 section 43-1086.

29 4. "Construction costs" means those costs associated with the
30 construction of an alternative fuel delivery system.

31 5. "Operating costs" means those costs directly associated with the
32 dispensing of alternative fuel through an alternative fuel delivery system
33 plus a reasonable charge for overhead functions. Operating costs do not
34 include any expenses directly or indirectly associated with the dispensing
35 of gasoline or diesel fuel or the sale of items at retail not connected with
36 the dispensing of alternative fuels.

37 6. "Renewable fuel" means electricity or solar energy.

38 Sec. 5. Section 43-1174, Arizona Revised Statutes, is amended to read:
39 43-1174. Credit for alternative fuel vehicles; definitions

40 A. EXCEPT AS PROVIDED IN SUBSECTION J OF THIS SECTION, for taxable
41 years prescribed in subsection I of this section, a credit against taxes
42 imposed by this title is allowed to each taxpayer who applies for a grant
43 pursuant to section 41-1516 unless the vehicle is a neighborhood electric
44 vehicle and who does any of the following:

1 1. Purchases or leases, for a period of at least one year, one or more
2 new original equipment manufactured alternative fuel vehicles for use in this
3 state.

4 2. Incurs expenses during the taxable year for converting one or more
5 conventionally fueled vehicles for use in this state to operate on an
6 alternative fuel.

7 3. On or before June 30, 2000, purchases or leases, for a period of
8 at least one year, one or more used alternative fuel vehicles for use in this
9 state, except that a tax credit is not allowed pursuant to this section for
10 the purchase or lease of a used neighborhood electric vehicle that is
11 purchased or leased on or after January 1, 2000.

12 B. The amount of the credit is equal to the following:

13 1. For a new low emission vehicle twelve thousand pounds or less gross
14 vehicle weight, thirty per cent of the cost or five thousand dollars,
15 whichever is more.

16 2. For a used low emission vehicle twelve thousand pounds or less
17 gross vehicle weight, fifteen per cent of the cost or two thousand five
18 hundred dollars, whichever is more.

19 3. For a new ultralow or inherently low emission vehicle, forty per
20 cent of the cost or seven thousand five hundred dollars, whichever is more.

21 4. For a used ultralow or inherently low emission vehicle, twenty per
22 cent of the cost or three thousand seven hundred fifty dollars, whichever is
23 more.

24 5. For a new zero or super ultralow emission vehicle, fifty per cent
25 of the cost or ten thousand dollars, whichever is more.

26 6. For a used zero emission vehicle:

27 (a) That is purchased, twenty-five per cent of the cost or five
28 thousand dollars, whichever is more.

29 (b) That is leased, twenty-five per cent of the cost or two thousand
30 five hundred dollars, whichever is more.

31 7. For a new low emission vehicle over twelve thousand pounds gross
32 vehicle weight, thirty per cent of the cost or thirty thousand dollars,
33 whichever is more.

34 8. For a used low emission vehicle over twelve thousand pounds gross
35 vehicle weight, fifteen per cent of the cost or fifteen thousand dollars,
36 whichever is more.

37 9. For conversion of a vehicle over twelve thousand pounds gross
38 vehicle weight, the greatest of the following:

39 (a) Thirty per cent of the actual price of the vehicle plus the cost
40 of conversion.

41 (b) Thirty per cent of the original manufacturer's base retail price
42 of the vehicle.

43 (c) Thirty thousand dollars.

1 10. For purchase of a converted vehicle over twelve thousand pounds
2 gross vehicle weight, fifteen per cent of the cost or fifteen thousand
3 dollars, whichever is more.

4 11. For conversion of any other vehicle the greatest of the following:

5 (a) Thirty per cent of the actual purchase price of the vehicle plus
6 the cost of conversion.

7 (b) Thirty per cent of the original manufacturer's base retail price
8 of the vehicle.

9 (c) Five thousand dollars.

10 (d) The amount of the tax credit prescribed in paragraph 3 or 4 of
11 this subsection if the taxpayer can demonstrate that the converted vehicle
12 qualifies as an ultralow or inherently low emission vehicle.

13 (e) The amount of the tax credit prescribed in paragraph 5 or
14 paragraph 6, subdivision (a) of this subsection if the taxpayer can
15 demonstrate that the converted vehicle qualifies as a zero or super ultralow
16 emission vehicle.

17 12. For purchase of any other converted vehicle, fifteen per cent of
18 the cost or two thousand five hundred dollars, whichever is more.

19 13. Notwithstanding any other paragraph of this subsection, for a new
20 neighborhood electric vehicle that is purchased on or after July 1, 2000,
21 fifty per cent of the cost of the vehicle or one thousand dollars, whichever
22 is more. In order to qualify for a tax credit pursuant to this paragraph,
23 a taxpayer shall certify on forms provided by the department that the vehicle
24 has not been, and will not be, used on a golf course, except for use as a
25 maintenance vehicle for a golf course. If a tax credit is taken for a
26 vehicle pursuant to this paragraph and the vehicle is used on a golf course
27 other than as a maintenance vehicle, the tax credit is subject to recapture
28 by the department, and the taxpayer is subject to a civil penalty of one
29 thousand dollars. Civil penalties collected pursuant to this paragraph shall
30 be deposited in the Arizona clean air fund established by section 41-1516.

31 C. EXCEPT AS PROVIDED IN SUBSECTION J OF THIS SECTION, a tax credit
32 is allowed pursuant to subsection B, paragraphs 1 through 8 and 13 of this
33 section only if the vehicle is certified to meet the United States
34 environmental protection agency emission standards for the particular type
35 of vehicle for which the credit is claimed as prescribed by 40 Code of
36 Federal Regulations section 88.104-94 or 88.105-94.

37 D. In order to qualify for a tax credit pursuant to subsection B,
38 paragraph 9 or 10 of this section, a motor home as defined in section 28-4301
39 that is converted to use liquefied petroleum gas shall have a fuel tank for
40 onboard storage of liquefied petroleum gas that holds at least thirty
41 gallons.

42 E. If the allowable tax credit exceeds the taxes due under this title
43 on the claimant's income, or if there are no taxes due under this title, the
44 following apply:

1 1. If the vehicle is not a neighborhood electric vehicle, the taxpayer
2 may elect either of the following:

3 (a) To be paid the amount of the claim not used to offset taxes under
4 this title in the same manner as a refund granted under section 42-1118.
5 Refunds made pursuant to this subdivision are subject to setoff pursuant to
6 section 42-1122.

7 (b) To use the amount as a credit to offset taxes under this title
8 over ten consecutive taxable years in compliance with any statute of
9 limitations provided in this title or title 42.

10 2. If the vehicle is a neighborhood electric vehicle, the amount of
11 the credit not used to offset taxes under this title may be carried forward
12 to the next five consecutive taxable years as a credit against subsequent
13 years' income tax liability.

14 F. EXCEPT AS PROVIDED IN SUBSECTION J OF THIS SECTION, if a person
15 purchases an alternative fuel vehicle and then leases the vehicle to another
16 person, the lessor is not entitled to take a tax credit pursuant to this
17 section for the purchase of the vehicle but may claim a share of the tax
18 credit for the lease of the vehicle as provided in the lease agreement,
19 except that the total amount claimed by the lessor and lessee shall not be
20 more than the credit allowed pursuant to this section and a person who
21 purchases an alternative fuel vehicle and then leases the vehicle to a
22 governmental entity is entitled to take a tax credit pursuant to this section
23 for the purchase of the vehicle.

24 G. EXCEPT AS PROVIDED IN SUBSECTION J OF THIS SECTION, notwithstanding
25 subsection B of this section and if the vehicle is not a neighborhood
26 electric vehicle:

27 1. If a person receives a grant pursuant to section 41-1516 for the
28 purchase of an alternative fuel vehicle or the conversion of a conventionally
29 fueled vehicle to operate on alternative fuel on or before June 30, 2003, the
30 tax credit pursuant to this section shall only be for the incremental cost
31 of the purchase or conversion.

32 2. If the person applies for a grant pursuant to section 41-1516 on
33 or before June 30, 2003 and submits to the department of revenue an affidavit
34 issued by the department of commerce stating that monies are not available
35 in the Arizona clean air fund for grants, that the person would qualify for
36 a grant if monies were available in the fund and that the person is eligible
37 for a tax credit pursuant to THIS SECTION OR section 43-1086 ~~or 43-1174~~, the
38 person is eligible for a tax credit in the amount prescribed in this section
39 plus the incremental cost of the purchase or conversion.

40 3. If a person receives a grant pursuant to section 41-1516 for the
41 purchase of an alternative fuel vehicle or for the conversion of a
42 conventionally fueled vehicle to operate on alternative fuel on or after July
43 1, 2003 through December 31, 2009, the person is not eligible for a tax
44 credit pursuant to this section.

1 H. Co-owners of a business, including corporate partners in a
2 partnership, may each claim only the pro rata share of the credit allowed
3 under this section based on the ownership interest. The total of the credits
4 allowed all such owners may not exceed the amount that would have been
5 allowed for a sole owner of the business.

6 I. EXCEPT AS PROVIDED IN SUBSECTION J OF THIS SECTION, tax credits are
7 allowed pursuant to this section through the taxable year ending on or before
8 December 31, 2009, except that tax credits are not allowed for purchases or
9 conversions that occur in a calendar year after the month in which the motor
10 vehicle division reports to the department as provided in section 43-1086
11 that the number of new alternative fuel vehicles, excluding neighborhood
12 electric vehicles, vehicles registered pursuant to section 28-2511 and
13 commercial vehicles, newly registered in this state in the current calendar
14 year exceeds one per cent of the total number of motor vehicles registered
15 in this state in the previous calendar year. If tax credits are not allowed
16 in a calendar year based on a motor vehicle division report pursuant to
17 section 43-1086, the restriction only applies to the remainder of that
18 calendar year.

19 J. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR ANY OF THE
20 FOLLOWING:

21 1. THE PURCHASE OR LEASE OF AN ALTERNATIVE FUEL VEHICLE THAT IS MADE
22 PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO DURING THE PERIOD
23 BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

24 2. THE PURCHASE OR LEASE OF AN ALTERNATIVE FUEL VEHICLE THAT IS MADE
25 DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001, IF
26 THE PURCHASE OR LEASE IS NOT MADE PURSUANT TO A CONTRACT OR PURCHASE ORDER
27 ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

28 3. ANY EXPENSE INCURRED FOR CONVERSION OF A CONVENTIONALLY FUELED
29 VEHICLE TO OPERATE ON ALTERNATIVE FUEL THAT IS MADE PURSUANT TO A CONTRACT
30 OR PURCHASE ORDER ENTERED INTO DURING THE PERIOD BEGINNING ON OCTOBER 20,
31 2000 THROUGH OCTOBER 19, 2001.

32 4. ANY EXPENSE INCURRED FOR CONVERSION OF A CONVENTIONALLY FUELED
33 VEHICLE TO OPERATE ON ALTERNATIVE FUEL DURING THE PERIOD BEGINNING ON OCTOBER
34 20, 2000 THROUGH OCTOBER 19, 2001, IF THE EXPENSE IS NOT INCURRED PURSUANT
35 TO A CONTRACT OR PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER
36 20, 2000.

37 ~~J~~ K. For purposes of this section:

38 1. "Alternative fuel" has the same meaning prescribed in section
39 1-215.

40 2. "Alternative fuel vehicle", "incremental cost" and "neighborhood
41 electric vehicle" have the same meaning prescribed in section 43-1086.

1 Sec. 6. Section 43-1174.01, Arizona Revised Statutes, is amended to
2 read:

3 43-1174.01. Credit for vehicle refueling apparatus and
4 infrastructure; definition

5 A. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, for taxable
6 years beginning after December 31, 1998, a credit against taxes imposed
7 pursuant to this title is allowed to each taxpayer who purchases a vehicle
8 refueling apparatus, including storage tanks, for installation on one or more
9 properties located in this state for the taxpayer's use. The amount of the
10 tax credit for each vehicle refueling apparatus is the cost of the vehicle
11 refueling apparatus.

12 B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, for taxable
13 years beginning after December 31, 1998, a credit against taxes imposed
14 pursuant to this title is allowed to each taxpayer who installs any
15 infrastructure necessary for operation of a vehicle refueling apparatus
16 purchased for installation on the taxpayer's property located in this state
17 as provided in subsection A of this section, including gas or electric
18 infrastructure from the closest main or transformer but not more than one
19 hundred feet. The amount of the tax credit for installation of
20 infrastructure is the cost of the installation of the infrastructure.

21 C. If the allowable tax credit exceeds the taxes due under this title
22 on the claimant's income, or if there are no taxes due under this title, the
23 taxpayer may elect either of the following:

24 1. To be paid the amount of the claim not used to offset taxes under
25 this title in the same manner as a refund granted under section 42-1118.
26 Refunds made pursuant to this paragraph are subject to setoff pursuant to
27 section 42-1122.

28 2. To use the amount as a credit to offset taxes under this title over
29 ten consecutive taxable years in compliance with any statute of limitations
30 provided in this title or title 42.

31 D. Co-owners of a business, including corporate partners in a
32 partnership, may each claim only the pro rata share of the credit allowed
33 under this section based on the ownership interest. The total of the credits
34 allowed all such owners may not exceed the amount that would have been
35 allowed for a sole owner of the business.

36 E. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR ANY OF THE
37 FOLLOWING:

38 1. THE PURCHASE OF A VEHICLE REFUELING APPARATUS, INCLUDING STORAGE
39 TANKS, THAT IS MADE PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO
40 DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

41 2. THE PURCHASE OF A VEHICLE REFUELING APPARATUS, INCLUDING STORAGE
42 TANKS, THAT IS MADE DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH
43 OCTOBER 19, 2001 IF THE PURCHASE IS NOT MADE PURSUANT TO A CONTRACT OR
44 PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

1 3. ANY INSTALLATION OF INFRASTRUCTURE NECESSARY FOR THE OPERATION OF
2 A VEHICLE REFUELING APPARATUS THAT IS MADE PURSUANT TO A CONTRACT OR PURCHASE
3 ORDER ENTERED INTO DURING THE PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH
4 OCTOBER 19, 2001.

5 4. ANY INSTALLATION OF INFRASTRUCTURE NECESSARY FOR THE OPERATION OF
6 A VEHICLE REFUELING APPARATUS THAT IS MADE DURING THE PERIOD BEGINNING ON
7 OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001 IF THE INSTALLATION IS NOT MADE
8 PURSUANT TO A CONTRACT OR PURCHASE ORDER ENTERED INTO BY THE TAXPAYER BEFORE
9 OCTOBER 20, 2000.

10 F. NO LATER THAN NOVEMBER 13, 2000, EACH PERSON WHO SELLS OR INSTALLS
11 VEHICLE REFUELING APPARATUSES, INCLUDING STORAGE TANKS, SHALL PROVIDE
12 INFORMATION TO THE DEPARTMENT OF COMMERCE, IN A FORM DETERMINED BY THE
13 DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF REVENUE, THAT
14 IS NECESSARY TO ADMINISTER THIS PROGRAM AND TO DETERMINE THE FULL EXTENT TO
15 WHICH TAXPAYERS ARE POTENTIALLY ELIGIBLE FOR TAX CREDITS PURSUANT TO THIS
16 SECTION. THE INFORMATION SHALL INCLUDE ALL PURCHASES AND INSTALLATIONS
17 DESCRIBED IN SUBSECTION E OF THIS SECTION ON OR AFTER JANUARY 1, 2000 THROUGH
18 OCTOBER 19, 2000 BUT SHALL NOT INCLUDE ANY CANCELLATIONS THAT OCCUR BEFORE
19 NOVEMBER 13, 2000. THE DEPARTMENT OF COMMERCE SHALL SEND A NOTICE TO EACH
20 PERSON KNOWN TO THE DEPARTMENT TO BE REQUIRED TO PROVIDE INFORMATION PURSUANT
21 TO THIS SUBSECTION. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE
22 SHALL KEEP CONFIDENTIAL ANY SOCIAL SECURITY NUMBERS, OTHER ASSIGNED TAXPAYER
23 IDENTIFICATION NUMBERS OR TELEPHONE NUMBERS PROVIDED IN THE INFORMATION
24 REQUIRED PURSUANT TO THIS SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE
25 DEPARTMENT OF COMMERCE IS EXEMPT FROM THE RULE MAKING REQUIREMENTS OF TITLE
26 41, CHAPTER 6.

27 ~~E.~~ G. For the purposes of this section, "vehicle refueling apparatus"
28 means any of the following:

29 1. A maximum ten to fifteen standard cubic feet per minute natural gas
30 compression appliance used for slow fill, on-site refueling.

31 2. Equipment necessary to provide an electric charge for an electric
32 vehicle, excluding wall sockets and extension cords.

33 3. Tanks used to store liquefied petroleum gas.

34 Sec. 7. Section 43-1174.02, Arizona Revised Statutes, is amended to
35 read:

36 43-1174.02. Credit for alternative fuel delivery systems;
37 definitions

38 A. EXCEPT AS PROVIDED IN SUBSECTION H OF THIS SECTION, for taxable
39 years beginning after December 31, 1997, a credit against taxes imposed by
40 this title is allowed to each taxpayer who incurs construction costs or
41 operating costs during the taxable year for constructing or operating an
42 alternative fuel delivery system in this state that is capable of dispensing
43 an alternative fuel to an alternative fuel vehicle.

1 B. The amount of the credit is equal to the following:

2 1. For an alternative fuel delivery system that is accessible to the
3 general public or for an alternative fuel delivery system that is dispensing
4 a renewable fuel, one hundred per cent of the costs incurred up to a maximum
5 of four hundred thousand dollars. A taxpayer may take a credit pursuant to
6 this paragraph for each variation of alternative fuel type dispensed through
7 the alternative fuel delivery system.

8 2. For an alternative fuel delivery system that does not satisfy
9 paragraph 1 of this subsection, fifty per cent of the costs incurred up to
10 a maximum of two hundred thousand dollars. A taxpayer may take a credit
11 pursuant to this paragraph for each variation of alternative fuel type
12 dispensed through the alternative fuel delivery system.

13 C. If the allowable tax credit exceeds the taxes due under this title
14 on the claimant's income, or if there are no taxes due under this title, the
15 taxpayer may elect either of the following:

16 1. To be paid the amount of the claim not used to offset taxes under
17 this title in the same manner as a refund granted under section 42-1118.
18 Refunds made pursuant to this paragraph are subject to setoff pursuant to
19 section 42-1122.

20 2. To use the amount as a credit to offset taxes under this title over
21 ten consecutive taxable years in compliance with any statute of limitations
22 provided in this title or title 42.

23 D. If a tax credit is allowed pursuant to this section for an
24 alternative fuel delivery system located at a fueling station, the price of
25 the alternative fuel sold from the alternative fuel delivery system shall be
26 included on the standardized sign that contains the price of other fuels sold
27 at the fueling station. The department of commerce energy office shall
28 design these signs, including the alternative fuel logo for these signs.
29 Notwithstanding any other law and because the legislature finds it a matter
30 of statewide concern, these signs shall be uniform throughout the state and
31 local ordinances, rules or laws are preempted for design, placement, size,
32 type and height.

33 E. If the taxpayer enters into a lease agreement for the alternative
34 fuel delivery system, the lessor may claim a share of the tax credit allowed
35 under this section as provided in the lease agreement, except that the total
36 amount claimed by the lessor and lessee shall not be more than the credit
37 allowed under this section.

38 F. Co-owners of a business, including corporate partners in a
39 partnership, may each claim only the pro rata share of the credit allowed
40 under this section based on the ownership interest. The total of the credits
41 allowed all such owners may not exceed the amount that would have been
42 allowed for a sole owner of the business.

43 G. A person who receives a grant pursuant to section 41-1516 is not
44 eligible to claim a credit pursuant to this section for the amount of the
45 grant. EXCEPT AS PROVIDED IN SUBSECTION H OF THIS SECTION, if the cost of

1 the alternative fuel delivery system exceeds the amount of the grant, a
2 person may claim a credit for the amount in excess of the amount of the grant
3 not to exceed the limits imposed by this section.

4 H. THE CREDIT PROVIDED BY THIS SECTION IS NOT ALLOWED FOR EITHER:

5 1. CONSTRUCTION COSTS OR OPERATING COSTS OF AN ALTERNATIVE FUEL
6 DELIVERY SYSTEM THAT ARE MADE PURSUANT TO A CONTRACT ENTERED INTO DURING THE
7 PERIOD BEGINNING ON OCTOBER 20, 2000 THROUGH OCTOBER 19, 2001.

8 2. CONSTRUCTION COSTS OR OPERATING COSTS OF AN ALTERNATIVE FUEL
9 DELIVERY SYSTEM THAT ARE INCURRED DURING THE PERIOD BEGINNING ON OCTOBER 20,
10 2000 THROUGH OCTOBER 19, 2001 IF THE COSTS ARE NOT INCURRED PURSUANT TO A
11 CONTRACT ENTERED INTO BY THE TAXPAYER BEFORE OCTOBER 20, 2000.

12 I. NO LATER THAN NOVEMBER 13, 2000, EACH PERSON WHO PROVIDES
13 CONSTRUCTION OR OPERATING SERVICES TO ALTERNATIVE FUEL DELIVERY SYSTEMS SHALL
14 PROVIDE INFORMATION TO THE DEPARTMENT OF COMMERCE, IN A FORM DETERMINED BY
15 THE DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF REVENUE,
16 THAT IS NECESSARY TO ADMINISTER THIS PROGRAM AND TO DETERMINE THE FULL EXTENT
17 TO WHICH TAXPAYERS ARE POTENTIALLY ELIGIBLE FOR TAX CREDITS PURSUANT TO THIS
18 SECTION. THE INFORMATION SHALL INCLUDE ALL COSTS DESCRIBED IN SUBSECTION H
19 OF THIS SECTION ON OR AFTER JANUARY 1, 2000 THROUGH OCTOBER 19, 2000 BUT
20 SHALL NOT INCLUDE ANY CANCELLATIONS THAT OCCUR BEFORE NOVEMBER 13, 2000. THE
21 DEPARTMENT OF COMMERCE SHALL SEND A NOTICE TO EACH PERSON KNOWN TO THE
22 DEPARTMENT REQUIRED TO PROVIDE INFORMATION PURSUANT TO THIS SUBSECTION. THE
23 DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE SHALL KEEP CONFIDENTIAL
24 ANY SOCIAL SECURITY NUMBERS, OTHER ASSIGNED TAXPAYER IDENTIFICATION NUMBERS
25 OR TELEPHONE NUMBERS PROVIDED IN THE INFORMATION REQUIRED PURSUANT TO THIS
26 SECTION. FOR THE PURPOSES OF THIS SUBSECTION, THE DEPARTMENT OF COMMERCE IS
27 EXEMPT FROM THE RULE MAKING REQUIREMENTS OF TITLE 41, CHAPTER 6.

28 ~~H.~~ J. For the purposes of this section:

29 1. "Alternative fuel" has the same meaning prescribed in section
30 1-215.

31 2. "Alternative fuel delivery system" has the same meaning prescribed
32 in section 41-1516.

33 3. "Alternative fuel vehicle" has the same meaning prescribed in
34 section 43-1086.

35 4. "Construction costs" means those costs associated with the
36 construction of an alternative fuel delivery system.

37 5. "Operating costs" means those costs directly associated with the
38 dispensing of alternative fuel through an alternative fuel delivery system
39 plus a reasonable charge for overhead functions. Operating costs do not
40 include any expenses directly or indirectly associated with the dispensing
41 of gasoline or diesel fuel or the sale of items at retail not connected with
42 the dispensing of alternative fuels.

43 6. "Renewable fuel" means electricity or solar energy.

1 Sec. 8. Legislative intent

2 Nothing in this act shall be construed to prohibit the department of
3 commerce from issuing affidavits for contracts or purchase orders entered
4 into before October 20, 2000, except where the department withholds an
5 affidavit based on a determination of abuse.

6 Sec. 9. Requirements for enactment; two-thirds vote

7 Pursuant to article IX, section 22, Constitution of Arizona, this act
8 is effective only on the affirmative vote of at least two-thirds of the
9 members of each house of the legislature and is effective immediately on the
10 signature of the governor or, if the governor vetoes this act, on the
11 subsequent affirmative vote of at least three-fourths of the members of each
12 house of the legislature.

APPROVED BY THE GOVERNOR OCTOBER 20, 2000

FILED IN THE OFFICE OF THE SECRETARY OF STATE OCTOBER 20, 2000